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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 14, 2000

NOTIFICATION OF

STONE MOUNTAIN ENERGY, LC

CASE NO. PUE000281

To furnish gas service pursuant
to Virginia Code § 56-265.4:5

ORDER DOCKETING PROCEEDING AND PROVIDING NOTICE

On May 25, 2000, Stone Mountain Energy, LC ("SME"), notified the State Corporation Commission (the "Commission"), pursuant to § 56-265.4:5 of the Code of Virginia of its plans to furnish gas service to the Federal Bureau of Prisons' United States Penitentiary ("FBOP") facility to be located in Lee County, Virginia. On June 8, 2000, SME supplemented its filing with a letter-sized map including the location of its facilities as well as that of the FBOP facility.

According to its notification documents, SME is a Virginia limited liability corporation engaged in the exploration for, gathering of, and production of natural gas. To provide gas service to the planned FBOP facility, SME proposes to construct an additional facility consisting of approximately 142,560 feet of six-inch (6") pipeline and one (1) sales meter. The gathering system, including the meter, is or will be covered by

SME's gathering pipeline permits to be issued by the Virginia Department of Mines, Minerals, and Energy.

The United States government-owned FBOP facility will be constructed by the first or second quarter of 2001, and will include housing to accommodate approximately 1,500 inmates, warehouse space, and other institutional elements. SME advises in its notification that it plans to produce and sell natural gas to the FBOP for general uses at the FBOP facility. These general uses include heating and other energy requirements necessary to accommodate 1,500 inmates such as laundry and water heating.

SME represents in its notification that it has agreed to supply daily volumes of natural gas equal to the FBOP facility's total requirements, but not more than 250 decatherms daily. Such gas will be used by FBOP exclusively for its facility at the site. SME states that the price per MMBtu of gas to be paid to it by the FBOP for delivery of natural gas at the sales meter will be \$5.75 per MMBtu, which is equivalent to the rates paid by facilities of a similar size to the planned FBOP facility.

The location of SME's and the FBOP facilities are shown on a map labeled as Exhibit A attached hereto. SME's wells and gathering systems are located in Harlan County, Kentucky, and Lee County, Virginia in close proximity to the planned FBOP facility.

A legal description of the location of SME's distribution line to the FBOP facility follows:

Description of Stone Mountain Energy's
Distribution Line to Federal Bureau of Prisons'
United States Penitentiary
Lee County, Virginia

Beginning at Stone Mountain Energy, LC's meter site located near the intersection of VDOT Route 797 and VDOT Route 673, thence proceeding in a southerly direction approximately 600', across the abandoned CSX Railroad right-of-way, thence turning in an eastward direction parallel to, but not on, the abandoned CSX Railroad right-of-way approximately 5,000' feet, thence proceeding in a southeasterly direction 1,400' across Poor Valley Ridge, thence following the base of Poor Valley Ridge in a northeasterly direction a distance of approximately 10,500' before turning up the ridge a distance of 3,000' feet to the top of Poor Valley Ridge, thence traversing in an eastward direction approximately 5,100' along the top of Poor Valley Ridge to a point, thence proceeding north approximately 800' down Poor Valley Ridge across CSX Railroad track and across VDOT Route 789, thence following the meanders of the VDOT right-of-way along Route 789 in an eastward direction approximately 2,000' to the intersection of VDOT Route 621, thence following the meanders of the VDOT right-of-way along Route 621 in an easterly direction approximately 70,000', thence leaving VDOT right-of-way in a southeasterly direction and proceeding approximately 7,500' across Poor Valley Ridge to VDOT ALT-58, thence crossing VDOT ALT-58 and Cane Creek in a southerly direction and proceeding up a ridge an approximate distance of 2,400', passing near the Waddell Cemetery, thence turning in a northeasterly direction an

approximate distance of 2,200' crossing Long Hollow Road (VDOT Route 643), thence proceeding in a southeasterly direction approximately 9,000' to a point near the Powell River west of Wampler Cemetery, thence turning to the southwest and traversing approximately 2,700' to VDOT Route 640, thence following the meanders of the VDOT right-of-way of Route 640 in a southwesterly direction approximately 2,400' to the intersection of VDOT Route 643, thence turning in a southerly direction with the meanders of the VDOT right-of-way of Route 643 an approximate distance of 500', thence leaving the VDOT right-of-way of Route 643 and turning in a southeasterly direction an approximate distance of 6,800' to a point near the Poteet Ferry Bridge, thence proceeding across under the Powell River in an easterly direction approximately 5,500' to the meter station and delivery point located at the Federal Department of Corrections Dot Prison Facility.

SME has certified that to the best of its knowledge, there is neither a public utility, nor a municipal corporation, certificated to provide gas service in the area in which the FBOP facility is located. The notification further advises that gas service is expected to commence on September 1, 2000, or immediately upon the Commission's determination that the facilities referred to in the notification are located in a territory for which no certificate of public convenience and necessity has been granted to supply natural gas.

On May 31, 2000, the Staff of the Commission filed a memorandum, advising that the FBOP facility would not be located

within a territory for which a certificate of public convenience and necessity has been granted and that, as of the time of receipt of SME's notice, the FBOP facility would not be located within any area served by a municipal corporation that provided gas distribution service as of January 1, 1992.

NOW, THE COMMISSION, upon consideration of the captioned application, the applicable statutes, and having been advised by its Staff, is of the opinion that this matter should be docketed. The Commission further finds that the FBOP facility will not be located within a territory for which a certificate to provide gas service has been issued by the Commission, and that as of the time the Commission received SME's notification, the facility is not located within any area, territory, or jurisdiction served by a municipal corporation that provided gas distribution service as of January 1, 1992. Further, the Commission finds that a copy of the captioned notification should be made available for public inspection in the Commission's Document Control Center during regular business hours, and that a copy of this Order should be mailed to all public utilities providing gas service in the Commonwealth as notification of SME's plans to furnish gas service. Within sixty (60) days of entry of this Order, any jurisdictional natural gas public utility may file an application to provide natural gas service to the area identified in Exhibit A hereto.

Accordingly, IT IS ORDERED THAT:

(1) This matter shall be docketed and assigned Case No. PUE000281.

(2) A copy of the captioned notification shall be made available for public inspection in the Commission's Document Control Center, located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, during the hours of 8:15 a.m. to 5:00 p.m., Monday through Friday.

(3) A copy of this Order shall be served upon all jurisdictional public utilities providing natural gas service in the Commonwealth listed in Appendix A.

(4) Within sixty (60) days of the entry of this Order, any jurisdictional natural gas public utility may file an application with the Commission to provide natural gas service within the area identified in Exhibit A hereto.

(5) This matter shall be continued until further Order of the Commission.